

**SNOHOMISH COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The Treasurer Should Improve Controls Over Cash And Investments

During our audit of cash receipts and investments in the Snohomish County Treasurer's Office, we found several areas where internal controls are weak. The issues discussed below increase the risk that errors and/or theft could occur and not be detected in a timely manner.

- a. Daily deposits are not reconciled to receipts by mode of payment. This reconciliation is not done because the cash receipting system does not record this information. Reconciling receipts by mode of payment increases the assurance that all cash collected is deposited intact.

We recommend that management reconcile all bank deposits to receipts by mode of payment.

- b. One person opens the mail and no log is kept of payments received in this manner. Money is forwarded to other treasurer's office staff for review of over or under payments before being forwarded to the cashier. When one person opens the mail and forwards money received to other employees with no record of total funds involved, no one is accountable for how much money should be deposited with the cashier.

We recommend that two people open mail together. Both should sign a log or calculator tape of the total received in the mail each day identifying any cash received. This log should be given to the cashier along with the money as soon as possible and the cashier should reconcile the log and the receipts. Further, the log should be retained as part of the deposit records.

- c. No one independent of the person writing refund checks reviews the activity in the treasurer's checking account. Reconciliation of the monthly bank statement to the treasurer's account record "Cash Book" does not include such a review. The lead cashier is also responsible for writing refund checks from this account. Without an independent review, there is no assurance that all transactions are appropriate and recorded accurately.

We recommend someone independent of writing checks review activity in the treasurer's checking account. Additionally, someone independent of the cashier should be responsible for writing checks from this account.

- d. The duties of billing, receipting mailed in payments, and review of delinquent assessments for local improvement districts (LID's) are done by the same two employees. Segregating receipting from billing and review of delinquent

accounts increases the assurance that all money collected is deposited.

We recommend the treasurer segregate the duties of receipting LID payments, from the billing and delinquent account reviews.

- e. Controls over property tax payments received close to the semi-annual due dates, April 30 and October 30, are weak. First, many payments come through the mail and receipting these payments is typically not completed until two weeks after the payment deadlines. Meanwhile, boxes of unreceipted checks are stored in an unsecured area of the treasurer's office. Second, as these payment deadlines approach, some treasurer's employees collect the payments in the county garage for convenience of taxpayers. Further, those payments are not receipted by these employees but are later carried to the treasurer's cashier by one person for formal receipting. The volume of tax payments received close to these deadlines is enormous, presenting problems for staff in the time and manner in which they receipt payments. However, when checks are not accounted for upon receipt and left unattended, the risk of theft is quite high. Also, when payments received in the garage are not receipted and in the custody of one employee, that person is not accountable for how much they should deposit with the cashier. This lack of adequate controls over receipts during these periods, places the county's funds at risk of loss and the treasurer's employees at risk of allegations of theft should such losses occur.

We recommend the treasurer immediately store unreceipted property tax payments in a secure location where access is limited. While better security for undeposited money is important all year, it is crucial when the semi-annual tax payment deadlines approach. We also recommend two people accept payments in the county garage and deliver the money to the treasurer's cashier.

- f. The accounting system for tracking investment transactions is a manual system which does not provide an efficient accounting or presentation of investment balances. An investment detail ledger is prepared annually, using database software. However, this investment ledger does not record bank account numbers or security CUSIP numbers providing specific identification of all investments.

We recommend the treasurer maintain a current investment subsidiary ledger. Further, this ledger should include the specific bank account and security CUSIP numbers of each investment.

2. The Treasurer Should Reconcile Warrants Payable For School Districts

The county treasurer still has not resolved the unreconciled difference between the county's records of outstanding warrants for school districts to bank statements. This condition has existed since the county converted its warrant ledgers from a manual system to an automated system in 1995. While the current automated system has the mechanisms to identify differences when they occur and requiring a reconciliation, the records still have an unreconciled difference representing the differences that existed in its manual system when it converted to the automated system. We reported this condition in our prior audit reports Nos. 55475, 56289, and 57091. As a result, the balance of Warrants Payable reported in the school districts' financial statements may be inaccurate and accounting control over disbursements is weak.

The county treasurer is the ex officio treasurer of school districts in Snohomish County per Chapter 28A.510.270 RCW. The duties of the treasurer under that statute require a reconciliation of the school districts' outstanding warrants. Further, Snohomish County Code, Section 2.100.080(2)(b) reserves to the county treasurer:

. . . All powers and duties with respect to the collection, disbursement and management of junior taxing district funds . . . .

County treasurer's office has been unable to allocate the financial management resources necessary to fully investigate and resolve the unreconciled difference carried over in the 1995 conversion from its manual system to an automated warrants payable system.

We again recommend the county treasurer's office continues to work toward reconciling and resolving this difference in its warrants payable balances.

3. Everett District Court Management Should Monitor High Risk Transactions

At Everett District Court, cashiers can adjust accounts receivable amounts for cases on file in the District Court Information System (DISCIS). This includes the ability to write off receivables entirely, without a supervisor's approval. Cashiers also have the opportunity to adjust receipted amounts in the DISCIS system.

As of January 3, 1994, all DISCIS courts were able to run "audit reports" for review by court management. These reports include transactions for: Accounts Receivable Adjustments, Non-Cash Credits, Adjusted Receipts, and other adjustments. However, the court administrator does not review these audit reports to ensure that such adjustments are appropriate.

When the duties of cashiering and posting adjustments to receivables or receipts are not separate, cashiers are not accountable to the court for any particular amount received on a defendant's account.

We recommend the court administrator print and review the audit reports daily, follow up on adjustments as necessary, and retain them with evidence of review.

4. The Snohomish County Sheriff's Office Should Track Traffic Citations From Receipt To Disposition

During our review of traffic citations issued by two Snohomish County Sheriffs' precincts, we found that no one compares citations issued with those received by the appropriate District Court. Furthermore, we found that no one reviews citations to ensure that those missing are detected, or that those voided are appropriate. Lastly, we found that finance department officials do not review the disposition of citations.

RCW 46.64.010 states:

The chief administrative officer of every traffic enforcement agency shall require the return to him of a copy of every traffic citation issued by an officer under his supervision to an alleged violator of any traffic law or ordinance and of all copies of every traffic citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator . . .

. . . Such chief administrative officer shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his supervision a record of the disposition of the charge by the court or its traffic violation bureau in which the original or copy of the traffic citation was deposited . . . .

RCW 46.64.010 also states:

. . . Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible . . . .

Since the Snohomish County Sheriff's Office does not ensure that all citations are properly issued, or that citations issued receive proper disposition with the court, missing citations cannot be detected in a timely manner. Absent required controls the county cannot be assured that the courts will have the opportunity to collect all traffic fines owed, or require all mandatory court appearances by defendants.

We recommend that the Snohomish County Sheriff's Office establish procedures to ensure that all citations issued receive some formal disposition with the courts. Procedures should also include identifying missing and voided citations, and review to determine if their treatment was appropriate.

We also recommend that the Snohomish County Finance Department give the appropriate oversight, as required by statute.

5. County Officials Should Ensure Cash Is Reported Accurately In The Accounting Records

Cash according to the Snohomish County Treasurer's records "Cash Book" is only reconciled to the general ledger once a year. The general ledger is the formal accounting record used in preparing the county's annual financial statements for the public. For the December 31, 1995 reconciliation, an adjustment of \$1,924,732 was required to reduce cash in the ledger to balance with the treasurer's records and actual cash on hand. This reconciliation for year end 1995 was not complete until May 1996.

Without timely reconciliation from cash on the county's books to the treasurer's records, management cannot be assured that cash in the general ledger is accurate. This can have serious repercussions on budgeting, the accuracy of information provided to management and the public, and daily financial management decisions.

We recommend that county officials reconcile cash in the general ledger with the treasurer's **Cash Book**, monthly.

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**Schedule Of Federal Findings**

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1. County Officials Should Monitor Subrecipients Of Federal HUD Funds

During 1995, Snohomish County passed through \$3.7 million in federal funds from the U.S. Department of Housing and Urban Development (HUD) to numerous not-for-profit agencies. To accomplish this, the county passed through more than \$25,000 to each of 27 not-for-profits, as part of their CDBG and HOME programs. County staff either had not collected current audit reports or failed to review reports on hand for 11 out of the 27 not-for-profit agencies.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* "Common Rule," Subpart C, Paragraph .26(b) states in part:

State or local governments . . . that receive Federal financial assistance and provide \$25,000 or more of it in a fiscal year to a subgrantee shall:

(1) Determine whether state or local subgrantees have met the audit requirements of the Act and whether subgrantees covered by OMB Circular A-133 . . . have met the audit requirement  
. . .

(2) Determine whether the subgrantee spent Federal Assistance funds provided in accordance with applicable laws and regulations . . .

(3) Ensure that appropriate corrective action is taken within six months after receipt of the audit report in the instance of noncompliance with Federal laws and regulations.

County staff members were not able to keep up with their current work load, and as a result, delayed a significant amount of subrecipient monitoring. When county officials do not monitor pass-through grants of their federal HUD funds, they cannot be assured that HUD grant money is used in compliance with federal laws and program objectives.

We recommend that county officials improve monitoring for pass-through grants of federal HUD funds.

We also recommend that county officials follow up on grant related problems within six months.

2. County Officials Should Submit Timely Grant Financial Reports To HUD

Snohomish County officials completed their 1995 grant financial reports to the U.S. Department of Housing and Urban Development (HUD) well past the legal deadlines. Planning department staff completed these reports for the Community Development Block Grant (CDBG) and HOME programs on September 6, 1996, eleven months and eight months past due, respectively.

The CDBG program requires a Grantee Performance Report (GPR) to provide information to the federal government, necessary for program analyses, evaluation and for reporting to Congress. Among other things, the county is required to compile information in the GPR concerning the percentage of CDBG funds spent benefiting low income, and very low income persons, and funds spent for public services, as defined by HUD regulations. This report should cover each fiscal year ending June 30.

The HOME program Annual Performance Report (APR) provides information to the federal government similar to that required for the block grant program. Among other things, the county is required to compile information in the APR concerning the percentage of HOME funds spent benefiting low income, and very low income persons, as defined by HUD. This report should cover each fiscal year ending September 30.

The auditor uses these reports to determine if the county spent HUD funds for allowable purposes as defined by the grant regulations.

24 CFR part 570.507(a) states:

Each performance and evaluation report must contain completed copies of all forms and narratives prescribed by the Secretary . . . Each entitlement grant recipient shall submit a performance and evaluation report: No later than 90 days after the completion of the most recent program year showing the status of all activities as of the end of the program year.

24 CFR part 92.509(b)(1) states:

A participating jurisdiction must submit an annual performance report on its HOME activities to the responsible HUD field office at such time as HUD may prescribe.

HUD Notice CPD 94-30, Paragraphs IV and V, state:

The APR must be submitted annually on or before December 31 and cover program activity undertaken with HOME funds during the recently completed Federal fiscal year.

County staff members were not able to keep up with their current work load, and as a result delayed completing their annual financial reports to HUD.

When county officials do not make accurate and timely financial reports to HUD, the grantor cannot evaluate the county's progress in meeting program objectives. When these reports are not available during our audit fieldwork, it presents an additional cost to the county for the extra time needed to ensure HUD funds were spent on allowable items.

We recommend that county officials submit accurate and timely financial reports to HUD.